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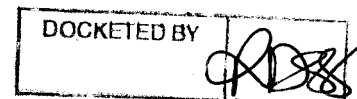
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February 8, 2012

Honorable Lyn A. Farmer  
Chief Administrative Law Judge  
Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Arizona Corporation Commission  
**DOCKETED**

FEB - 8 2012



Re: Arizona Public Service Company ("APS") Late-File Exhibits 17 and 18  
E-01345A-11-0224

Dear Judge Farmer:

Please consider this letter and its attachments to be Late-Filed APS Exhibits 17 and 18. APS Exhibit 17 is based on a request from Commissioner Kennedy and contains two pages: (1) a chart identifying each of the rate events that may impact customer bills during the Settlement's proposed rate moratorium (2012-2016), both those that are specifically related to the Settlement and those that would occur irrespective of the Settlement; and (2) a timeline showing the estimated bill impacts related to the Settlement Agreement through 2013. APS Exhibit 18 provides a detailed response to a question posed by Commissioner Newman during the hearing relating to the earnings impact of reduced retail energy sales.

Please let me know if you have any concerns with the format or substance of either Late-Filed Exhibits 17 or 18.

Sincerely,

Meghan H. Gabel

MHG/dk  
Attachments

cc: Docket Control  
Parties of Record



Copies of the foregoing delivered  
this 8<sup>th</sup> day of February, 2012 to:

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**Timeline of APS Rate Adjustments  
For the Average Residential Customer Using 1,100 kWh per Month  
2012 - 2016**

	January	February	March	April	May	June	July	August	September	October	November	December
<b>2012</b>	RES <sup>1</sup>	PSA <sup>1</sup>	DSMAC <sup>2</sup>				New Rates Effective -1% TCA <sup>3,4</sup>	No Changes to Rates During this Period				
<b>2013</b>	RES <sup>3</sup>	PSA With Four Corners 3.5% Without Four Corners 5.7%	DSMAC <sup>3</sup> LFCR 0.2%	EIS <sup>3,5</sup>		TCA <sup>3</sup>	Four Corners Rate Rider 3.2%					
<b>2014</b>	RES <sup>3</sup>	PSA <sup>3</sup>	DSMAC <sup>3</sup> LFCR 0.5%	EIS <sup>3,5</sup>		TCA <sup>3</sup>						
<b>2015</b>	RES <sup>3</sup>	PSA <sup>3</sup>	DSMAC <sup>3</sup> LFCR 0.5%	EIS <sup>3,5</sup>		TCA <sup>3</sup>						
<b>2016</b>	RES <sup>3</sup> SBC Reduction -0.5%	PSA <sup>3</sup>	DSMAC <sup>3</sup> LFCR 0.6%	EIS <sup>3,5</sup>		TCA <sup>3</sup>	New Rates Effective (Property Tax Deferral Included) <sup>3</sup>					

**Legend**  
 Settlement-Related Adjustments  
 Adjustments that occur irrespective of the Settlement

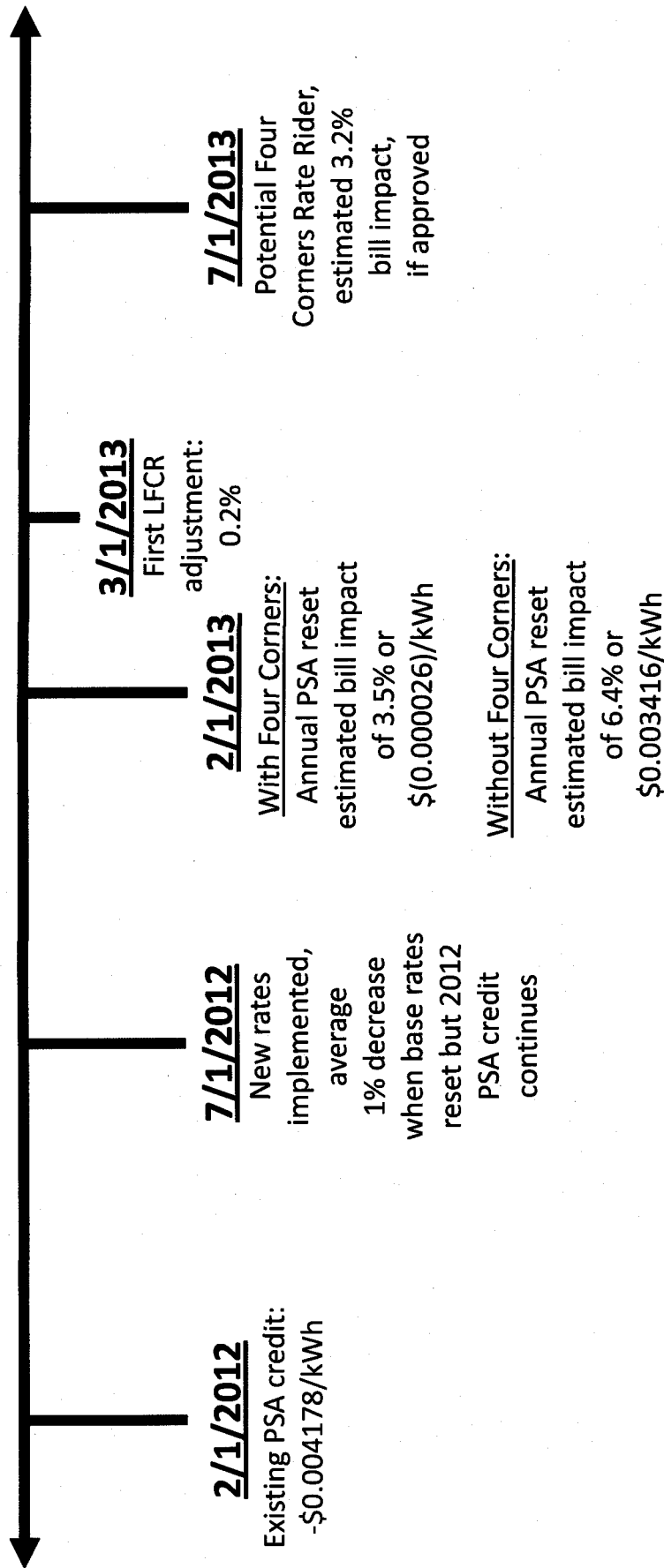
**Footnotes:**

1. Already in effect.
2. Pending before the ACC.
3. Bill impact unknown at this time.
4. The TCA bill impact will not be known until FERC Form 1 is filed, but the TCA is currently estimated to be between 0.5% and 1.5%.
5. The EIS is set to zero on 7/1/2012 and is capped at the 2/1/2012 level.



# Timeline of Residential Bill Impacts as Proposed in the 2012 Rate Case Settlement

This timeline explains the potential average residential bill impacts (1,100 kWh per month) that could result from the Commission's resolution of the proposed 2012 Rate Case Settlement. As noted, some of those impacts vary depending on the pending Four Corners transaction. This timeline does not reflect the impact of other adjustment mechanisms or future changes in fuel costs that are unrelated to the proposed Settlement Agreement.





*Reduction in APS Earnings from a 2% Reduction in Sales*  
\$ in Millions

2010 APS retail sales in MWh	27,709,463
Assumed reduction in sales	-2%
Sales reduction in MWh	<u>(554,189)</u>
2010 Average retail revenue per kWh (in \$)	\$ 0.1063
2010 Fuel in base rates (in \$)	\$ 0.0376
2010 Average revenue net of fuel per kWh (in \$)	<u>\$ 0.0687</u>
Revenue net of fuel impact of sales reduction	\$ (38)
Less income taxes at marginal 40% combined federal and state rate	(15)
Earnings impact of sales reduction in \$ terms	<u>\$ (23)</u>
2010 APS Earnings	\$ 336
Earnings impact of sales reduction in % terms	-7%